

Application of Premium Revenues and Claims Charges Based on PSAK No. 28 At PT. Bosowa Insurance Branch Ternate

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Abstract

Nowadays the insurance industry, especially the loss insurance, is growing in harmony with the development of the business world and the improvement of the economic capability of the community. Insurance is considered important as one way to minimize the risk of loss that may occur. PT. Bosowa Ternate Insurance Branch as one of the general insurance companies that already have various insurance products, where one of them is surety bond insurance product. As an insurance company, the main income is derived from insurance premiums while the main expense is claims expense. This study aims to analyze the application of premium income and claims expense based on PSAK No.28 at PT. Bosowa Insurance Branch Ternate. The method used in this research is quantitative descriptive. The results of this study indicate that insurance transactions become relatively complicated because the income comes from premiums that are known and occur first, while the main load is the burden of claims has not occurred and covered by uncertainty both time and number. Revenue and claims claims recognition base accrual basis. Revenue is recognized at the time of the transaction even if cash has not been received. In this case income is recorded and recognized at the time of policy issuance. Claims expenses are recognized upon an obligation to fulfill the claim.

Keywords: revenue recognition; claim expense; insurance accounting

1. Introduction

PT. Bosowa Insurance Ternate Branch is one of the companies engaged in the insurance of losses, where the product offered is surety bond. Surety bond is a form of Guarantee that usually the obligee party (project owner) asks for warranty or surety bond from the principal (contractor) with a view to express the seriousness of the principal in carrying out its work in accordance with the agreed contract/agreement. The guarantee is provided by a surety issued by a Non-Bank Financial Institution, an Insurance Company which has a bond surety program (Simanjuntak 1986; Abbas 2007; Darmawi 2008; Djojosoedarso 2008).

Financial Accounting Standards Number 28 is a guideline for loss insurance companies in preparing, and presenting financial statements related to surety bond in the form of premium income and claim costs. Where premium income is recognized during the contract period and the estimated premium amount is adjusted per period to reflect the actual premium amount. While the premium amount cannot be estimated properly, the premium is treated using the deposit method until the premium amount can be reasonably estimated (IAI 2012: 28).

In addition to the premium income that is the obligation of the customer, the company also has responsibility to fulfill the burden of insurance claim by the customer as their right. Where the claims expense relating to the occurrence of any eventual loss to the insured object includes settled claims, outstanding claims, claims incurred but not yet reported, and claims settlement expenses, as claims expense at the time of the obligation to fulfill the claim (IAI 2012: 28).

This research was conducted at PT. Bosowa Ternate Branch Insurance established since 2009, and has twice received claims submission from CV. Linda Karya for the construction work of retaining walls of Orimakurunga Village of South Halmahera Regency and CV. Gamalama Indah for the construction work of the bridge Asombang District. Bacan Kab. South Halmahera. That is, with such claims accounting is required in relation to such claims. This study aims to examine the application of revenue recognition and clay loads based on PSAK No. 28 at PT. Bosowa Ternate Branch Insurance engaged in insurance losses or surety bond.

2. Research methods

This research was conducted at PT. Bosowa Insurance located in Ternate City, North Maluku. Methods of data collection conducted in order to obtain data that can be tested truth, relevant and complete, then in this research using data collection method that is literature research and field research.

This research uses quantitative descriptive method. quantitative descriptive is an analytical technique that describes the state of a symptom that is then processed according to its function, and the results of processing are then presented in the form of numbers so easily captured its meaning by the recipient of information (Sarwono 2006; Sugiyono 2010). Descriptive quantitative analysis in this study, namely:

1. Reveal the recognition of income and expenses on the financial statements of PT. Bosowa Insurance Branch Ternate.
2. The application of revenue recognition to SFAS No. 28 on loss insurance.
3. Application of recognition of premium income and claims expense of PT. Bosowa Ternate Branch Insurance is in accordance with the rules of PSAK No. 28 on loss insurance.

3. Results and Discussion

3.1. Revenue Recognition PT. Bosowa Insurance Branch Ternate

In conducting business PT. Bosowa Ternate Branch Insurance is engaged in surety bond which will be recognized as revenue when signing the contract. As for some surety bond products include:

1. Bid Security

This bidding warrant is the first step that the obligee hints to the contractors who will follow the auction in accordance with the design specifications and so on the project that will be planned to be built / done. Each contractor of the auction must complete / provide a guarantee of an offer from a bank or non-bank financial institution licensed to issue a bid guarantee.

The bidding function of the bidding project is to assure the good faith of the bidder that if the bidder wins the can in a specified time he will sign the execution by completing the requirement of the obligee to provide assurance of the execution of the bailer. If the company that has secured the project but is unable to perform the work for various reasons, the surety is liable to pay compensation based on the amount of the tender guarantee.

2. Performance bond

This warranty is issued by the guarantor to the contractor as a continuation of his / her designation as the winner of the auction. With this guarantee means they are able to carry out the job properly until finished in accordance with the promised. If it is not suitable then the guarantor will compensate the obligee due to negligence or failure of the contractor to complete the work.

3. Advance payment guarantee

Advance payment between the contractor and the insurer to assist contractors who are technically sound but financially weak in implementing construction projects. The guarantee works if the principal fails to fulfill its obligation to perform the work according to the contract, then the principal concerned shall pay off the remaining advance which has not been returned to the obligee.

4. Maintenance Guarantee

After the work is done usually the obligee holds 5% of the contract payment, the amount of which is called the retention money and the reserve fund for the repair cost if there is damage arising after the first handover. The funds are usually disbursed if there is a guarantee from a surety company called as a guarantee of voting.

3.2. Claim Load Acknowledgment PT. Bosowa Insurance Branch Ternate

Expenses incurred when the insured experiences unexpected events (such as losses due to project offerings, project implementation, advance payment and voter guarantees) which are then reported to PT Bosowa Insurance Branch of Ternate ie the insurer. The claim report will be reviewed by PT Bosowa Insurance Branch of Ternate and if it is approved it will incur debt or decrease of assets in the form of cash disbursement and recognized as expense, in other words the claim expense is recognized and recorded together with the incurrence of liability to the insured / the achievement of compensation agreement to the insured. Claims relating to the occurrence of any eventual loss to the insured object, including an approved claim, claims in progress, claims incurred but not yet reported, and claims settlement expense, are recognized as claims expense at the time an obligation arises to fulfill the claim. Subrogation rights are recognized as deduction of claims expense upon realization. The Company recognizes the claim charges using the accrual basis method, ie when the loss report is certain to be issued.

The process of claim insurance claim by the customer at PT. Bosowa Insurance has the following terms and conditions:

1. Claim Receipt
2. Claims handling procedures
3. Claim Report Issuance

3.3. Discussion of Revenue Recognition and Claim Expense PT. Bosowa Insurance in Relation to PSAK No. 28 about Insurance Losses

One of the main sources of income at PT. Bosowa Ternate Branch Insurance is the premium income from surity bond. Recording of revenue recognition is based on the accrual basis method in which income is recognized at the time of the event / when the contract is effective not when the receipt of cash or cash equivalents is then directly dentry into the computer system because of PT. Bosowa Insurance Ternate Branch does not do manual recording. By using base accrual method at PT. Bosowa Ternate Branch Insurance then the recording of revenue recognition has been in accordance with the Financial Accounting Standards that guide the feasibility of the presentation of financial statements.

While the burden that occurred at PT. Bosowa Ternate Insurance Branch consists of claims expenses, Reinsurance expenses and Commission Expenses. The Company recognizes the claim charges using the accrual basis method, ie when the Loss Report must be issued and approved by the company which is then directly entered into the system on the computer.

With the existence of accounting system that can manage the transaction data and other financial data on a regular basis, it can be said that the management of PT. Bosowa Insurance Branch of Ternate and head office of PT. Bosowa Insurance has prepared the financial statements well in accordance with PSAK No.28 on Accounting for Loss Insurance.

4. Conclusions and Recommendations

Recording revenue recognition at PT. PT. Bosowa Ternate Branch Insurance uses the accrual basis method, that is, the income is recognized based on the effective contract or calculated in accordance with the useful life. The recognition of the proceeds from the sale of this insurance shall be recognized legally after the period when the principal activities of the service have been completed. Revenues from the sale of services can be said to have been recognized if the transaction has occurred and the company will receive some cash.

Recognition of load recognition at PT. PT. Bosowa Ternate Branch Insurance has been using accrual basis method that is:

- a. Claims expenses relating to the occurrence of any eventual loss to the insured object, including the approved claims, claims in progress, claims incurred but not yet reported, and claims settlement expense, are recognized as claims expense when an obligation arises to fulfill the claim or when the loss report published.
 - b. The Commission's expenses are incurred and are recorded in accordance with the recognition and recording of the premium concerned.
 - c. Recording and bookkeeping at PT. PT. Bosowa Ternate Branch Insurance already using computerized process in which journal recording is not done manually but directly input into computer according to transaction happened.
- Revenue and expense recognition at PT. PT. Bosowa Ternate Branch Insurance has been in accordance with the provisions of Financial Accounting Standards, which are PSAK No. 28.

Overall revenue and expense recognition at PT. Bosowa Ternate Branch Insurance has been in conformity with Financial Accounting Standards. 28 was Insurance against Losses. So the author's suggestion is:

1. In order for PT. Bosowa Ternate Branch Insurance continues to keep the work system to continue well and in accordance with the applicable provisions.
2. For the public that let's insurance and share the risk to the insurance company because of the many benefits that we will get by having insurance.

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